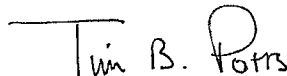


RURAL UTILITIES SERVICE  
CONCURRENCE WITH CONSENT DECREE

- A. Sioux Rural Water, Inc. ("Borrower") is indebted to the United States of America, acting through the USDA Rural Utilities Service or its predecessor in interest ("RUS") through loans and/or grants provided pursuant to 7. U.S.C. §1926.
- B. The Federal statute provides that: "The service provided or made available [by program borrowers] shall not be curtailed or limited by inclusion of the area served by such [borrower] within the boundaries of any municipal corporation or other public body, or by the granting of any private franchise for similar service within such area during the term of such loan; nor shall the happening of any such event be the basis of requiring such [borrower] to secure any franchise, license, or permit as a condition to continuing to serve the area served by the [borrower] at the time of the occurrence of such event.
- C. Borrower is involved in litigation with the City of Watertown related to competing utility services.
- D. Borrower, the City of Watertown and Watertown Municipal Utilities have agreed to resolve the litigation between the parties.

Based on the foregoing, RUS concurs with Borrower's entering into the Consent Decree.

United States of American, acting through  
the USDA Rural Utilities Service



By: Tim Potts

Its: Program Director